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Macroeconomic policy questions: commodities

Report of the Second Committee*

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I. Introduction

1. The Second Committee held a substantive debate on agenda item 84 (b) (see A/57/529, para. 2). Action on sub-item (b) was taken at the 12th and 44th meetings, on 17 October and 11 December 2002. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/57/SR.12 and 44).

II. Consideration of draft resolutions A/C.2/57/L.5 and A/C.2/57/L.73

2. At the 12th meeting, on 17 October, the representative of Venezuela, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "Commodities" (A/C.2/57/L.5), which read:

> "*The General Assembly*,
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> "*Recalling* its resolution 55/183 of 20 December 2000 and stressing the urgent need to ensure its full implementation,
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> "*Recalling* the United Nations Millennium Declaration adopted by the Heads of State and Government on 8 September 2000,
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> "*Taking note* of the Plan of Implementation agreed at the World Summit on Sustainable Development, held in Johannesburg, South Africa, from 26 August to 4 September 2002, particularly paragraphs 38, 61, 89 and 90, and recognizing that agriculture plays a crucial role in addressing the needs of a

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growing global population, and is inextricably linked to poverty eradication, especially in developing countries,

"*Taking note also* of the Programme of Action for the Least Developed Countries for the Decade 2001-2010 and *The Least Developed Countries Report, 2002*, in particular chapters 4 and 6 of part one of the report,

"*Taking note further* of the Monterrey Consensus of the International Conference on Financing for Development, in particular paragraphs 28 and 37,

"*Taking note* of the outcome of the World Summit on Sustainable Development,

"*Taking note also* of the targets set out in the 1996 Rome Declaration and Plan of Action and the outcome of the World Food Summit: five years later, which reaffirms the pledge to end hunger,

"*Taking note with concern* of the report of the Secretary-General of the United Nations Conference on Trade and Development on world commodity trends and prospects which examines the declining trend of most commodity prices,

"*Recognizing* that many developing countries, in particular African countries and the least developed countries, as well as commodity-dependent small island developing States and commodity-dependent landlocked developing countries, are highly dependent on primary commodities as their principal source of export revenues, employment, income-generation and domestic savings, and the driving force of investment, economic growth and social development,

"*Recognizing also* that structural changes in international commodity markets, particularly the increasing concentration in trade and distribution, constitute new challenges for commodity producers and exporters in developing countries,

"*Expressing deep concern* about the negative effects of unfavourable weather conditions on the supply of most commodity-dependent countries, the continuing depressed levels of most commodity prices and the dramatic falls in recent years in prices of commodities of particular interest to developing countries, which adversely affect the economic growth of commodity-dependent countries, especially countries in Africa and the least developed countries, as well as commodity-dependent small island developing States and commodity-dependent landlocked developing countries,

"*Expressing concern* about the difficulties experienced by the developing countries in financing and implementing viable diversification programmes and in attaining access to markets for their commodities,

"*Recognizing* that commodity prices are an important element for heavily indebted poor countries maintaining long-term debt sustainability criteria,

"*Reiterating its request* to the World Trade Organization to facilitate the accession of developing countries to the World Trade Organization on fair and reasonable terms, taking into account the particularities of each country,

"1. *Emphasizes* the need for efforts by the developing countries that are heavily dependent on primary commodities to continue to promote a domestic policy and an institutional environment that encourage diversification and liberalization of the trade and export sectors and enhance competitiveness;

"2. *Expresses the urgent need* for supportive international policies and measures to improve the functioning of commodity markets through efficient and transparent price formation mechanisms, including commodity exchanges, and through the use of viable and effective commodity price risk management instruments;

"3. *Expresses concern* at the declining terms of trade in most primary commodities, in particular for net exporters of such commodities, as well as the lack of progress in many developing countries in achieving diversification, and, in this regard, strongly emphasizes the need for actions at both the national and international levels, inter alia, to improve market access conditions, address supply-side constraints and provide support for capacity-building, inter alia, in areas that actively involve women;

"4. *Urges* Governments and international financial institutions to re-examine systems for compensatory financing of export earnings shortfalls with a view to providing a temporary safety net for developing-country producers that are heavily dependent on the export of a few commodities;

"5. *Urges* the developed countries to eliminate or radically reduce support schemes to producers competing with developing-country producers of commodities that result in lower prices for exporters in developing countries;

"6. *Also urges* the developed countries to continue to support the commodity diversification and liberalization efforts of commodity-dependent developing countries, especially countries in Africa and the least developed countries, as well as commodity-dependent small island developing States and commodity-dependent landlocked developing countries, in a spirit conducive to promoting a common purpose and efficiency, inter alia, by providing technical and financial assistance for the preparatory phase of their commodity diversification programmes;

"7. *Urges* producers and consumers of individual commodities to intensify their efforts to reinforce mutual cooperation and assistance;

"8. *Reiterates* the importance of maximizing the contribution of the commodity sector to economic growth and sustainable development, while continuing with diversification efforts in developing countries, in particular commodity-dependent countries, especially those in Africa and the least developed countries, as well as commodity-dependent small island developing States and commodity-dependent landlocked developing countries, and, in this respect, stresses that:

"(a) International support for the efforts of developing countries in the industrial transformation of their commodities is required to increase their export revenues and improve their competitiveness with a view to facilitating their integration into the global economy;

"(b) In the context of the process of trade liberalization, tariff peaks should be minimized and the use of trade-distorting policies and protectionist

practices and non-tariff barriers should be eliminated by developed countries because of their impact and inasmuch as they have negative effects on the ability of developing countries to diversify their exports and undertake the required restructuring of their commodity sector and have an adverse impact on liberalization measures taken by commodity-dependent developing countries especially in Africa and the least developed countries, as well as commodity-dependent small island developing States and commodity-dependent landlocked developing countries, and their efforts to eliminate poverty;

"(c) In line with the Plan of Implementation adopted at the World Summit on Sustainable Development, held in Johannesburg, South Africa, from 26 August to 4 September 2002, mutual supportiveness between the multilateral trading system and the multilateral environmental agreements, consistent with sustainable development goals, should be promoted in support of the work programme agreed through the World Trade Organization, while recognizing the importance of maintaining the integrity of both sets of instruments;

"(d) In the light of the process of multilateral trade liberalization, which has led to the diminution of differentials accorded by preferred trade regimes, there is a need to take measures, as appropriate and consistent with international obligations, to address the diminution, in particular by strengthening technical assistance, by continuing to provide financial assistance to commodity-dependent developing countries and by addressing supply-side constraints faced by these countries, in order to improve the competitiveness of their commodity sectors and to overcome difficulties encountered in their diversification programmes;

"(e) Timely and effective financial cooperation should be maintained and further pursued to facilitate the management by commodity-dependent countries, especially those in Africa and the least developed countries, as well as commodity-dependent small island developing States and commodity-dependent landlocked developing countries, of excessive fluctuations in commodity export earnings;

"(f) Strengthening technical cooperation in the areas of transfer of new technologies and know-how in production processes and training for technical, managerial and commercial staff in developing countries is of paramount importance for quality improvements in the commodity sector;

"(g) Expansion of South-South trade and investment in commodities enhances complementarities and offers opportunities for intersectoral linkages within and among exporting countries;

"(h) There is a need to strengthen the Common Fund for Commodities and to promote expand and intensify research and development, to provide infrastructure enterprise development, technology and support services and to encourage investment, including joint ventures in developing countries engaged in the commodity and commodity-processing sectors;

"9. *Encourages* the Common Fund for Commodities, in cooperation with the International Trade Centre, the United Nations Conference on Trade and Development and other relevant bodies, to continue to expand the

activities of its Second Account with the necessary and effective support for research and development and extension services in developing countries, including adaptive research on production and processing aimed at smallholders and small-sized and medium-sized enterprises in developing countries, in order to widen the scope of activities and thus ensure the effective participation of all stakeholders;

"10. *Invites* the United Nations Conference on Trade and Development, within its mandate, to provide assistance to developing countries in the financing of commodity diversification and to include issues related to commodities in the provision of analytical support and technical assistance to developing countries in respect of their effective participation in multilateral trade negotiations;

"11. *Calls upon* the United Nations to convene a high-level international meeting in 2003 to address the declining terms of trade and volatility of commodity prices, taking into account the commitments made in paragraph 89 of the Plan of Implementation adopted at the World Summit on Sustainable Development;

"12. *Requests* the Secretary-General of the United Nations Conference on Trade and Development to submit to the General Assembly at its fifty-ninth session a report on world commodity trends and prospects, which should include an estimate of the loss for commodity exporters as a result of the use of subsidies and other trade-distorting measures as well as the gap between the prices for producers and those of final consumers;

"13. *Decides* to include in the provisional agenda of its fifty-ninth session, under the item entitled 'Macroeconomic questions', the sub-item entitled 'Commodities'."

3. At the 44th meeting, on 11 December, the Vice-Chairman of the Committee, Jan Kára (Czech Republic), introduced a draft resolution entitled "Commodities" (A/C.2/57/L.73), which he submitted on the basis of informal consultations held on draft resolution A/C.2/57/L.5.

4. The attention of the Committee was drawn to a statement of the programme budget implications of draft resolution A/C.2/57/L.73, submitted by the Secretary-General in accordance with rule 153 of the rules of procedure of the General Assembly (A/C.2/57/L.78).

5. At the same meeting, the Committee adopted draft resolution A/C.2/57/L.73 (see para. 8).

6. After the adoption of the draft resolution, the representative of Venezuela made a statement on behalf of the States Members of the United Nations that are members of the Group of 77 and China (see A/C.2/57/SR.44).

7. In the light of the adoption of draft resolution A/C.2/57/L.73, draft resolution A/C.2/57/L.5 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

8. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

Commodities

The General Assembly,

Recalling its resolution 55/183 of 20 December 2000 and stressing the urgent need to ensure its full implementation,

Recalling also the United Nations Millennium Declaration, adopted by the Heads of State and Government on 8 September 2000,[1]

Taking note of the relevant provisions of the Plan of Implementation of the World Summit on Sustainable Development,[2]

Taking note also of the Programme of Action for the Least Developed Countries for the Decade 2001-2010[3] and *The Least Developed Countries Report, 2002*,[4]

Taking note further of the Monterrey Consensus of the International Conference on Financing for Development,[5]

Taking note of the targets set out in the 1996 Rome Declaration and Plan of Action[6] and the outcome of the World Food Summit: five years later, which reaffirms the pledge to end hunger,

Taking note also of the Ministerial Declaration of the Fourth Ministerial Conference of the World Trade Organization,[7] held at Doha from 9 to 13 November 2001,

Taking note with concern of the report of the Secretary-General of the United Nations Conference on Trade and Development on world commodity trends and prospects,[8] which examines the declining trend of most commodity prices,[9]

Reiterating the importance of maximizing the contribution of the commodity sector to economic growth and sustainable development, while continuing with diversification efforts in developing countries, especially commodity-dependent countries, and bearing in mind paragraph 6 of General Assembly resolution 55/183,

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[1] See resolution 55/2.

[2] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1), chap. I, resolution 2, annex.

[3] A/CONF.191/11.

[4] United Nations publication, Sales No. E.02.11.D.13.

[5] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[6] See *Report of the World Food Summit, 13-17 November 1996*, part one (Rome, Food and Agriculture Organization of the United Nations, 1996), appendix.

[7] A/C.2/56/7, annex.

[8] A/57/381, annex.

[9] Ibid., sect. I.B.

Recognizing that commodity-dependent developing countries, in particular African countries and the least developed countries, as well as small island developing States and landlocked developing countries, are highly dependent on primary commodities as their principal source of export revenues, employment, income-generation and domestic savings, and as the driving force of investment, economic growth and social development,

Recognizing also that structural changes in international commodity markets, particularly the increasing concentration in trade and distribution, constitute new challenges for commodity producers and exporters in developing countries,

Recognizing further that agriculture plays a crucial role in addressing the needs of a growing global population and is inextricably linked to poverty eradication, especially in developing countries, and recognizing also that enhancing the role of women at all levels and in all aspects of rural development, agriculture, nutrition and food security is imperative and, furthermore, that sustainable agriculture and rural development are essential for the implementation of an integrated approach to increasing food production and enhancing food security and food safety in an environmentally sustainable way,

Expressing deep concern about the negative effects of unfavourable weather conditions on the supply of most commodity-dependent developing countries, the continuing depressed levels of most commodity prices and the dramatic falls in recent years in prices of commodities of particular interest to developing countries, which adversely affect the economic growth of commodity-dependent developing countries, especially countries in Africa and the least developed countries, as well as small island developing States and landlocked developing countries,

Expressing concern about the difficulties experienced by the developing countries in financing and implementing viable diversification programmes, which are essential for sustainable development and for attaining access to markets for their commodities,

Emphasizing the need for a domestic industrial transformation of commodity production in the developing countries, in particular African countries and the least developed countries, with a view to enhancing productivity and stabilizing and increasing their export earnings, thus promoting the sustainable economic growth of developing countries and their integration into the global economy,

Recognizing that commodity prices are an important element for heavily indebted poor countries that are commodity-dependent in maintaining long-term debt sustainability,

1. *Emphasizes* the need for efforts by the developing countries that are heavily dependent on primary commodities to continue to promote a domestic policy and an institutional environment that encourage diversification and liberalization of the trade and export sectors and enhance competitiveness;

2. *Expresses the urgent need* for supportive international policies and measures to improve the functioning of commodity markets through efficient and transparent price-formation mechanisms, including commodity exchanges, and through the use of viable and effective commodity price risk management instruments;

3. *Expresses concern* at the declining terms of trade for most primary commodities, in particular for net exporters of such commodities, as well as the lack of progress in many developing countries in achieving diversification, and in this regard strongly emphasizes the need for actions at both the national and international levels, inter alia, to improve market access conditions, address supply-side constraints and provide support for capacity-building, inter alia, in areas that actively involve women;

4. *Urges* Governments and invites international financial institutions to continue to assess the effectiveness of the systems for compensatory financing of export-earnings shortfalls, and in this regard stresses the importance of empowering developing commodity producers to insure themselves against risk, including natural disasters;

5. *Urges* the developed countries to continue to support the commodity diversification and liberalization efforts of commodity-dependent developing countries, especially countries in Africa and the least developed countries, as well as small island developing States and landlocked developing countries, in a spirit conducive to promoting a common purpose and efficiency, inter alia, by providing technical and financial assistance for their commodity diversification programmes;

6. *Urges* producers and consumers of individual commodities to intensify their efforts to reinforce mutual cooperation and assistance;

7. *Reiterates* the importance of maximizing the contribution of the commodity sector to economic growth and sustainable development, while continuing with diversification efforts in developing countries, in particular commodity-dependent developing countries, especially those in Africa and the least developed countries, as well as small island developing States and landlocked developing countries, and, in this respect, stresses that:

(a) International support for the efforts of developing countries in the industrial transformation of their commodities is required to increase their export revenues and improve their competitiveness, with a view to facilitating their integration into the global economy;

(b) In the area of agriculture, it is important to fulfil, without prejudging the outcome of the negotiations, the commitment for comprehensive negotiations initiated under article 20 of the Agreement on Agriculture,[10] as referred to in the Doha Ministerial Declaration,[11] aiming at substantial improvements in market access; reductions of, with a view to phasing out, all forms of, export subsidies; substantial reductions in trade-distorting domestic support; pursuing negotiations on market access for non-agricultural products aimed at reducing or, as appropriate, eliminating tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries; and implementing other relevant areas of the World Trade Organization work programme;

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[10] See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994-7).

[11] See A/C.2/56/7, annex, para. 13.

(c) In line with the Plan of Implementation of the World Summit on Sustainable Development,[2] held in Johannesburg, South Africa, from 26 August to 4 September 2002, mutual supportiveness between the multilateral trading system and the multilateral environmental agreements, consistent with sustainable development goals, should be promoted in support of the work programme agreed through the World Trade Organization, while recognizing the importance of maintaining the integrity of both sets of instruments;

(d) In the light of the process of multilateral trade liberalization, which has led to the diminution of differentials accorded by preferred trade regimes, there is a need to take measures, as appropriate and consistent with international obligations, to address that diminution, in particular by strengthening technical assistance, by continuing to provide financial assistance to commodity-dependent developing countries and by addressing supply-side constraints faced by these countries, in order to improve the competitiveness of their commodity sectors and to overcome difficulties encountered in their diversification programmes;

(e) Timely and effective financial cooperation should be maintained and further pursued to facilitate the management by commodity-dependent developing countries, especially those in Africa and the least developed countries, as well as small island developing States and landlocked developing countries, of excessive fluctuations in commodity export earnings, and in this regard stresses that it is important to pursue diversification as part of a long-term solution;

(f) Strengthening technical cooperation in the areas of transfer of new technologies and know-how in production processes and training for technical, managerial and commercial staff in developing countries is of paramount importance for quality improvements in the commodity sector;

(g) Expansion of South-South trade and investment in commodities enhances complementarities and offers opportunities for intersectoral linkages within and among exporting countries;

(h) There is a need to promote, expand and intensify research and development, to provide infrastructure enterprise development, technology and support services and to encourage investment, including joint ventures in developing countries engaged in the commodity and commodity-processing sectors;

8. *Underlines* the need to strengthen the Common Fund for Commodities and encourages it, in cooperation with the International Trade Centre, the United Nations Conference on Trade and Development and other relevant bodies, to continue to strengthen the activities covered by its Second Account in developing countries with its supply chain concept of improving access to markets and reliability of supply, enhancing diversification and value addition, improving competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

9. *Invites* the United Nations Conference on Trade and Development, within its mandate, to provide assistance to developing countries in promoting commodity diversification and to include issues related to commodities in the provision of analytical support and technical assistance to developing countries in respect of their effective participation in multilateral trade negotiations;

10. *Encourages* efforts to promote cooperation between relevant international organizations on commodity issues;

11. *Calls upon* the Secretary-General of the United Nations Conference on Trade and Development, within existing budgetary resources, supplemented by voluntary contributions as appropriate, to designate independent eminent persons to examine and report on commodity issues, including the volatility in commodity prices and declining terms of trade and the impact these have on the development efforts of commodity-dependent developing countries, for consideration by the Trade and Development Board at its executive session and, subsequently, by the General Assembly at its fifty-eighth session;

12. *Requests* the Secretary-General of the United Nations Conference on Trade and Development to report to the General Assembly at its fifty-ninth session on world commodity trends and prospects, taking into account, inter alia, the current report thereon[8] and the subsequent consideration requested in paragraph 11 above;

13. *Decides* to include in the provisional agenda of its fifty-ninth session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "Commodities".